

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
FINANCIAL STATEMENTS
For the year ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Pottersville-Benton Township Fire Department
Pottersville, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Pottersville-Benton Township Fire Department, Pottersville, Michigan, as of and for the year then ended June 30, 2008, which collectively comprise the fire department's financial statements as listed in the table of contents. These financial statements are the responsibility of Pottersville-Benton Township Fire Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Pottersville-Benton Township Fire Department, as of June 30, 2008, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information list in the table of contents are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Hastings, Michigan
August 13, 2008

Walker, Fluke & Sheldon, PLC

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS	General Fund Modified Accrual Basis	Adjustments (See Notes)	Statement of Net Assets
Cash and Cash Equivalents	\$ 19,617	\$ -	\$ 19,617
Accounts Receivable	11,601	-	11,601
Capital Assets (Net of Accumulated Depreciation)	-	305,095	305,095
Total Assets	\$ 31,218	305,095	336,313
LIABILITIES			
Accounts Payable	\$ 13,478	-	13,478
Accrued Liabilities	16,616	-	16,616
Noncurrent Liabilities			
Due Within One Year	-	31,404	31,404
Due in More Than One Year	-	59,710	59,710
Total Liabilities	30,094	91,114	121,208
FUND BALANCE / NET ASSETS			
Fund Balances			
Unreserved-Undesignated	1,124	(1,124)	-
Reserved	-	-	-
Total Fund Balance	1,124	(1,124)	-
Total Liabilities and Fund Balance	\$ 31,218		
Net Assets			
Invested in Capital Assets-Net of Related Debt		216,603	216,603
Unrestricted		(1,498)	(1,498)
Total Net Assets		\$ 215,105	\$ 215,105

The Notes to Financial Statements are an integral part of this statement.

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

	General Fund Modified Accrual Basis	Adjustments (See Notes)	Statement of Net Assets
Revenue			
Contributions From Local Units	\$ 277,554	\$ -	\$ 277,554
Charges for Services	132,006	-	132,006
Interest and Rentals	442	-	442
Other Revenue	<u>46,117</u>	<u>-</u>	<u>46,117</u>
Total Revenue	<u>456,119</u>	<u>-</u>	<u>456,119</u>
Expenditures			
Current:			
Public Safety			
Wages and Fringes	234,706	2,622	237,328
Operating Supplies	8,297	-	8,297
Automobile Expenses	6,891	-	6,891
Contractual Services	9,633	-	9,633
Education and Training	2,840	-	2,840
Insurance	31,648	-	31,648
Office Expenses	5,978	-	-
Telephone	4,480	-	4,480
Fire Board	3,156	-	3,156
Professional Fees	17,138	-	17,138
Repairs and Maintenance	56,597	-	56,597
Utilities	8,815	-	8,815
Miscellaneous	2,017	-	2,017
Capital Outlay	21,441	(21,441)	-
Depreciation	-	63,381	63,381
Debt Service			
Principal	27,293	(27,293)	-
Interest	<u>4,204</u>	<u>-</u>	<u>4,204</u>
Total Expenditures	<u>445,134</u>	<u>17,269</u>	<u>462,403</u>
Excess of Revenue Over (Under)			
Expenditures / Change in Net Assets	10,985	(17,269)	(6,284)
Fund Balance/Net Assets - Beginning of Year	<u>(9,861)</u>	<u>231,250</u>	<u>221,389</u>
Fund Balance/Net Assets - End of Year	<u>\$ 1,124</u>	<u>\$ 213,981</u>	<u>\$ 215,105</u>

The Notes to Financial Statements are an integral part of this statement.

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Potterville-Benton Township Fire Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Potterville-Benton Township Fire Department:

REPORTING ENTITY

Potterville-Benton Township Fire Department was organized in 1951 by Benton Township and the City of Potterville to provide fire protection and EMS services to the residents and property owners. The Potterville-Benton Township Fire Department operates under an appointed board of seven members.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Fire Department's financial statements include both government-wide (reporting the Fire Department as a whole) and fund financial statements (reporting the Fire Department's major funds).

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Department's net assets are reported in two parts: invested in capital assets, net of related debt and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses have a given function or segment and are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Revenues are primarily derived from charges for services and interest and rentals to provide for the administration and operation of: (1) general Potterville-Benton Township Fire Department governmental departments, boards and commissions; and (2) fire protection.

FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Fire Department reports the following major governmental funds:

- The General Fund is the Fire Department's primary operating fund. It accounts for all financial resources of the Fire Department.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Receivables and Payables - The Fire Department has a receivable balance outstanding with Medical Management; the Fire Department's billing company. The Fire Department turns over all billings to Medical Management and the company collects and remits all billings to the Fire Department, less a collection fee. The Fire Department believes that all amounts receivable from Medical Management are collectible and will be received, therefore no allowance for doubtful accounts.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Furniture	10 years
Equipment	7 years
Data Processing Equipment	5 years
Land Improvements	20 years

Compensated Absences (Vacation and Sick Leave) - Vacation pay is earned by all full time employees according to the length of their employment and is available for use in the year following its accrual. Vacation time is paid at the employee's current pay rate and must be used in the year available. Upon termination of employment, employees will be paid for all unused vacation time.

Long-Term Obligations - In the government-wide financial statements and in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Fire Department Board prepares the annual budgets prior to June 30. Budgets for the general fund are adopted at the activity level and reported in the budgetary comparison schedule at the line item level.

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

During the year ended June 30, 2008, the Fire Department incurred expenditures in budgeted funds, which were in excess of the amounts appropriated.

<u>FUND</u>	<u>BUDGET APPROPRIATION</u>	<u>ACTUAL EXPENDITURE</u>	<u>BUDGET VARIANCE</u>
Public Safety:			
Fire Department	\$ 311,779	\$ 392,196	\$ 80,417
Capital Outlay	\$ 12,500	\$ 21,441	\$ 8,941

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Potterville-Benton Township Fire Department.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Fire Department to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Department has designated two banks for the deposit of Potterville-Benton Township Fire Department funds.

The Fire Department's deposits and investments are in accordance with statutory authority.

At year-end, the Fire Department's deposits and investments were reported in the financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 19,617	\$ 19,617
Investments	-	-
Restricted Assets	-	-
Total	<u>\$ 19,617</u>	<u>\$ 19,617</u>

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments is:

	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 19,617
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	<u>-</u>
Total	<u>\$ 19,617</u>

Custodial credit risk is the risk that the Fire Department will not be able to recover its deposits in the event of financial institution failure. The Fire Department's deposits are exposed to the custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At June 30, 2008, the Fire Department has deposits with a carrying amount of \$19,617 and a bank balance of \$21,526. Of the bank balance, \$21,526 is covered by federal depository insurance and \$0 is uninsured and \$0 is collateralized. The Fire Department evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	<u>BALANCE 07/01/2007</u>	<u>ADDITIONS</u>	<u>RETIRE- MENTS</u>	<u>BALANCE 06/30/2008</u>
Land	\$ 68,513	\$ -	\$ -	\$ 68,513
Capital Assets Being Depreciated				
Buildings	90,000	8,900	-	98,900
Machinery and Equipment	321,917	5,650	-	327,567
Vehicles	<u>533,727</u>	<u>6,891</u>	<u>-</u>	<u>540,618</u>
Subtotal	945,644	21,441	-	967,085
Less: Accumulated Depreciation	<u>667,122</u>	<u>63,381</u>	<u>-</u>	<u>730,503</u>
Net Capital Assets Being Depreciated	<u>278,522</u>	<u>(41,940)</u>	<u>-</u>	<u>236,582</u>
Capital Assets-Net of Depreciation	<u>\$ 347,035</u>	<u>\$ (41,940)</u>	<u>\$ -</u>	<u>\$ 305,095</u>

Depreciation expense was charged to programs as follows:

Governmental Activities:	
Public Safety	<u>\$ 63,381</u>
Total Governmental Activities	<u>\$ 63,381</u>

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

LONG-TERM DEBT

The following is a summary of the outstanding debt of the Fire Department as of June 30, 2008:

	<u>INTEREST RATE</u>	<u>PRINCIPAL MATURES</u>	<u>BEGINNING BALANCE</u>	<u>ADDITION (REDUCTIONS)</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
Primary Government						
Governmental Activities						
Other Liabilities						
Equipment Note Payable	4.250%	2011	\$ 115,785	\$ (27,293)	\$ 88,492	\$ 28,781
Compensated Absences			\$ -	\$ 2,622	\$ 2,622	\$ 2,622

The compensated absence liability attributable to the governmental activities will be liquidated by the Village's governmental funds. The annual requirements to pay principal and interest on the note outstanding for the primary government are as follows:

<u>Year End June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 28,781	\$ 3,748
2010	30,005	2,524
2011	29,706	1,249
2012	-	-
2013	-	-
Total	<u>\$ 88,492</u>	<u>\$ 7,521</u>

RISK MANAGEMENT

The Fire Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Fire Department manages its risk exposure through commercial insurance. Settled claims did not exceed the amount of insurance coverage for the year ended June 30, 2008.

POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Fire Department's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net assets:

Total Fund Balance - Modified Accrual Basis	\$ 1,124
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Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds

Governmental capital assets	\$ 1,035,598	
Less: Accumulated depreciation	<u>(730,503)</u>	305,095

Long-term liabilities are not due and payable in the current period and are not
reported in the funds

Notes Payable	(88,492)
Accumulated Vacation and Sick Leave	<u>(2,622)</u>

Net Assets of General Fund - Full Accrual Basis	<u>\$ 215,105</u>
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The following is a reconciliation of the net change in fund balance to the net change in net assets:

Net Change in Fund Balances - Modified Accrual Basis	\$ 10,985
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Amounts reported in the statement of net activities are different because:

Repayment of note principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces debt)	27,293
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Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(2,622)
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Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is depreciated over their
estimated useful lives

Expenditures for capital assets	\$ 21,441	
Less: Current year depreciation	<u>(63,381)</u>	<u>(41,940)</u>

Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ (6,284)</u>
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POTTERVILLE-BENTON TOWNSHIP FIRE DEPARTMENT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	\$ (9,861)	\$ (9,861)	\$ (9,861)	\$ -
Resources (Inflows)				
Contributions From Local Units	239,108	239,108	277,554	38,446
Charges for Services	123,000	123,000	132,006	9,006
Interest and Rentals	300	300	442	142
Other Revenue	<u>800</u>	<u>800</u>	<u>46,117</u>	<u>45,317</u>
Total Resources	<u>363,208</u>	<u>363,208</u>	<u>456,119</u>	<u>92,911</u>
Charges to Appropriations (Outflows)				
Current:				
Public Safety				
Wages and Fringes	221,770	221,770	234,706	(12,936)
Operating Supplies	15,250	15,250	8,297	6,953
Automobile Expenses	5,500	5,500	6,891	(1,391)
Contractual Services	-	-	9,633	(9,633)
Education and Training	-	-	2,840	(2,840)
Insurance	25,899	25,899	31,648	(5,749)
Office Expenses	-	-	5,978	(5,978)
Telephone	2,500	2,500	4,480	(1,980)
Fire Board	3,960	3,960	3,156	804
Professional Fees	13,000	13,000	17,138	(4,138)
Repairs and Maintenance	14,000	14,000	56,597	(42,597)
Utilities	9,400	9,400	8,815	585
Miscellaneous	500	500	2,017	(1,517)
Capital Outlay	12,500	12,500	21,441	(8,941)
Debt Service	<u>32,529</u>	<u>32,529</u>	<u>31,497</u>	<u>1,032</u>
Total Charges to Appropriations	<u>356,808</u>	<u>356,808</u>	<u>445,134</u>	<u>(88,326)</u>
Excess of Resources Over (Under) Appropriations	<u>6,400</u>	<u>6,400</u>	<u>10,985</u>	<u>4,585</u>
Budgetary Fund Balance - June 30, 2008	<u>\$ (3,461)</u>	<u>\$ (3,461)</u>	<u>\$ 1,124</u>	<u>\$ 4,585</u>

The Notes to Financial Statements are an integral part of this statement.



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To the Fire Board
Potterville-Benton Township Fire Department
Potterville, Michigan

In planning and performing our audits of the financial statements of the Potterville-Benton Township Fire Department as of and for the years ended June 30, 2008, and 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Potterville-Benton Township Fire Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- The reconciled bank balances are not being balanced with the corresponding general ledger accounts on a monthly basis.
- The Fire Department does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. Currently, the Fire Department contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries.

This communication is intended solely for the information and use of management, the board of trustees of Potterville-Benton Township Fire Department and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, MI
August 13, 2008

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August 13, 2008

To the Fire Board
Potterville-Benton Township Fire Department
Potterville, Michigan

We have recently completed audits of the financial statements of the Potterville-Benton Township Fire Department, Potterville, Michigan for the years ended June 30, 2008, 2007 and 2006. During the course of the audits the following items came to our attention, which require further comment.

Budgets Should Be Reviewed On A Periodic Basis

The general appropriations act passed before the beginning of each fiscal year is the legal authority for the Fire Department to spend public moneys. The general appropriations act specifies amounts that may be spent by budget category. The Fire Department does not have legal authority to spend amounts in excess of specific appropriations.

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit of government may not incur expenditures in excess of amounts appropriated. When it appears that more money will be spent than the amount originally appropriated, it is necessary to amend the budget. This can be done at any meeting prior to the fiscal year end and does not require a new public hearing. During the year ended June 30, 2008, the Fire Department's actual expenditures exceeded their appropriations in a few categories.

It is recommended that the Fire Department closely monitor the expenditures in relation to amounts appropriated and amend the budget when necessary. In addition, consideration should be taken at year-end for typical audit adjustments and amend the budget accordingly. The approved budget and all amended budgets should become a permanent part of the board minutes.

Receipt Book

During the course of the audits, it was noted that the treasurer was not utilizing a receipts book to record money collected and checks were not being endorsed in a timely manner.

A pre-numbered duplicate receipts book should be used to record all payments received and checks should be endorsed immediately. The receipt should indicate the date collected, the payer, the amount and whether the payment was made in cash or check. The top copy should be given to the customer and the bottom copy should be kept in tact in the book. The receipts should indicate which are added together to make one deposit. Receipts records provide valuable tracking information and internal controls over cash payments.

It is recommended the treasurer start using a pre-numbered receipts book for all money received.

General Ledger Disbursement Posting

During the course of the audits, internal control weaknesses in the expenditure area were noted. Several disbursements were inconsistently posted to the general ledger and coded to incorrect general ledger accounts. This causes inaccurate interim financial statements, which may cause budgeting problems throughout the year.

We recommend that the treasurer be given the opportunity to consult with outside professionals on a monthly basis for help with posting of items in question, if needed. This can save the Fire Department costly bookkeeping fees incurred during the audit.

Fire Revenue/Receivable

During the course of the audits, it was noted that the fire revenue and receivable were not being recorded when earned.

According to generally accepted accounting principles, the general fund of governmental units use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means, collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Since the fire revenue is earned on completion of a fire run, the revenue meets the measurable and available test for revenue recognition and must be recorded by the Fire Department.

It is our recommendation that the Fire Department record fire revenue when a fire run is made, by debiting an accounts receivable and crediting fire run revenue. When the funds are collected for the fire run the accounts receivable entry will be reversed.

Disbursements

During the course of the audits, it was noted, a valid receipt could not substantiate several disbursements.

Disbursements made by the Fire Department should be supported by proper documentation. Invoices or contracts should support expenditures for goods or services and be lawful in nature. A signed reimbursement form that specifies the payee, what the expense was incurred for, where the expense occurred, when the expense was incurred and why the expense was incurred should substantiate reimbursements to employees or officials. Applicable invoices or receipts should be attached.

We recommend that the Fire Department obtain proper documentation for all disbursements made. The documentation should be filed in an organized manner that is easily assessable. In addition, the treasurer should examine all invoices for validity and lawfulness, and credit card charges should be approved prior to payment.

Minutes

During the course of the audits, it was noted meeting minutes do not consistently notate that bills have been approved.

The meeting minutes should notate the check numbers approved and the total dollar amount. A list of all bills should be shown to the board members at each meeting. Each board member should initial the list to verify that he/she reviewed the list. This list should then be attached to the board minutes.

We recommend a list of all bills to be paid is presented to the Fire Board for approval at each meeting.

The Fire Department Has Not Adopted An Investment Policy

During the course of the audit, it was noted that the organization had not adopted an investment policy.

P.A. 196 of 1997 was signed and took immediate effect on December 30, 1997, which required the legislative body to adopt an investment policy that, at a minimum, includes the following:

1. A statement of the purpose, scope, and objectives of the policy, including safety, diversification, liquidity, and return on investment.
2. A delegation of authority to make investments.
3. A list of authorized investment instruments.
4. A statement concerning safekeeping, custody, and prudence.

After approval, the treasurer shall provide each financial intermediary, broker, or dealer with a copy of the investment policy and shall obtain an acknowledgment from them stating that they agree to comply with the terms of the investment policy.

It is recommended the Fire Board write and adopt an investment policy in compliance with P.A. 196 of 1997. The treasurer of the Fire Department should provide each authorized depository with a copy and obtain the proper acknowledgment.

We would like to take this opportunity to thank the Fire Department for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

Walker, Fink & Smolton, PLLC